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SUBJECT: CALDERON EYING EXPANDED CONTROL OVER PAN

Classified By: Political Counselor Charles Barclay. Reason: 1.4 (b),(d)

1. (C) Summary: President Calderon is poised to take control of the PAN--a party shaken by his rivalry with PAN President Manuel Espino--with the uncontested election of former cabinet member German Martinez for party president on December 8-9. Tensions between Calderon and Espino reflect a broader struggle over whether the party should become more pragmatic or remain loyal to its more conservative, traditional roots. Martinez's anticipated election will represent a victory for the pragmatic voices. Some observers worry that although the PAN will have clearer direction under Martinez (and the de facto control of Calderon), its long tradition of democratic governance could be undermined. Internal tensions have contributed to losses for the PAN at the local level. Without demonstrable progress on job creation and poverty reduction, a leading PAN Senator worried the party would suffer continued losses in the 2009 midterm elections. End summary.

Calderon Overcomes Espino

2. (C) The Calderon administration showed early on a determination to take control over the party. The June National Assembly marked a turning point in the longstanding rivalry between Calderon and Espino, when the majority of PAN delegates favored more moderate, progressive elements of the party over the traditional, conservative faction. Tensions between the pragmatic Calderon and the more conservative Espino have been a constant irritant in intra-party dynamics since Calderon entered office, straining relations between the party and the presidency and negatively affecting party morale. Comments made by both Espino and former President Fox on matters of state have also sometimes distracted the media and Calderon's attention.

3. (C) On September 28, German Martinez, who is one of Calderon's closest confidants, resigned from his cabinet position as Secretary of Public Function and announced he would seek the party presidency. Political analyst Juan Pardinias commented that the PAN elections, to be held December 8-9, would be "pay back time" for Calderon who is well positioned to take control of the party through German Martinez. Espino's decision to move party elections forward from March 2008 to December 2007 may have been motivated by his belief that he or one of his allies would benefit from limiting the time Martinez could campaign. Yet the disastrous performance of Espino and his supporters at the June Assembly signaled that neither he nor any of his supporters could marshal significant support in the upcoming elections. As a result, Espino has decided not to run for re-election, and none of his supporters has agreed to stand against Martinez. The new election date suits Calderon and his inner circle fine, as they are unlikely to shed any tears with an earlier removal of Espino.

A Party Realigning Itself

14. (SBU) The PAN is presently Mexico's dominant party at the national level insofar as it has maintained the presidency since 2000 and held a plurality in both houses of Congress since 2006. Although the party's original base of support came primarily from urban middle classes in the northern and central states, this base has widened over time as the PAN has sought to project a more modern image. Tensions between Calderon and Espino are, in large part, a reflection of a broader struggle for the direction and appeal of the party, one that is more progressive and open to compromise versus one that remains more traditional and values-based. Poloff has been told there are divisions within the party's conservative camp, as well.

15. (SBU) The PAN remains to the right of the political spectrum, advocating free enterprise, privatization, smaller government, and liberal reforms, as well as opposition to same-sex marriage and abortions. Martinez has spoken of making the PAN a more centrist party. The realignment taking place within the PAN has important implications not just for the PAN's political orientation, but also for prospects of democratic governance within the party and for Mexico more generally.

16. (C) That nobody is willing to run against Martinez is seen by some, like political commentator Rossana Fuentes, as a setback for democratic governance within the PAN, which has long been considered the most democratic of Mexico's political parties. Martinez is considered a polarizing force internally. He has the support of the majority of PANistas,

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but not those surrounding Espino. Pardinias likened him to Calderon's "hit man" who is likely to alienate the party's conservative wing rather than co-opt it. PAN Senator Adriana Gonzalez argued it may not be wise to have President Calderon effectively in charge of both the government and the party. Given his "need for control", the time he would otherwise spend leading the country could compete with time overseeing the party.

17. (C) PAN's more conservative faction complains that Calderon has begun to rule in a manner similar to what for decades characterized the PRI--a ruling party controlled by a president with authoritarian tendencies. Senator Gonzalez said the president's reputation as a micromanager limits freedom of thought within the party. Some PANistas, herself included, feel the PAN needs a third way beyond the Calderon and Espino camps. When asked about the substantive difference between those camps, Gonzalez said the division is more about who holds power than values or policies.

18. (C) There have been rumors that some members from the party's so-called "El Yunque" (the secretive religious organization to which some conservative PANistas apparently belong) could seek to create its own conservative political party. According to Rossana Fuentes, whether they do so would depend on the composition of PAN leaders Martinez chooses after the December election, and whether they calculate that creating a new party would be effective. (Note: Creating a new political party has become more difficult under recently passed electoral reform. End note.) Martinez will be able to name new members to the PAN's National Executive Committee, which significantly influences the PAN's membership in Congress, and it is possible he will seek to isolate those PANistas who are not loyal to Calderon. Senator Gonzalez commented that apparently no more than five PANistas are seriously considering forming a new party.

Poor Showing at Local Level

¶9. (C) Some of the tensions between the pragmatic Calderon and conservative Espino camps appear to be spilling over to the state and local levels, where the PAN has had a tough year, losing in traditional strongholds like Aguascalientes and the Yucatan peninsula. In some cases, such as in the Yucatan and Baja California, tensions between Calderon and Espino have undermined coordinated party support for PAN candidates. A number of political observers believe that rather than fighting the PRI at the local level, Calderon has chosen to accept PRI victories as the price for winning that party's occasional political backing. Rossana Fuentes told Poloff she believed Calderon had miscalculated in not seriously taking on the PRI for its corrupt governors in Oaxaca and Puebla, commenting that the failure to hold the PRI accountable undermines Mexico's democratic progress.

¶10. (C) Senator Gonzalez told Poloff she was concerned that Calderon's pragmatism was blurring the difference between the PAN and the PRI, sacrificing some of the party's long-held values. She further worried that neither the Calderon administration nor the PAN offered a sufficiently clear agenda, saying that while the administration has made good on its pledge to improve security, it has done little in the public eye to create jobs or reduce economic inequalities. Unless it does so, she worried the PAN would lose congressional seats in the 2009 midterm elections, eroding Calderon's future ability to pass legislation.

Comment

¶11. (C) Martinez's uncontested candidacy as party president is a consequence of the political war between a waning Espino and an ascendant Calderon. His almost assured victory will significantly strengthen President Calderon's ability to provide direction to a sometimes wandering and divided PAN. The risk is that Calderon may have overreached in choosing Martinez. It's one thing to find a high-level respected PANista who is close to the administration to run for president of the party; it's quite another to send one of your former cabinet members and closest advisors to take over the party. Espino went so far in the direction of alienating Calderon's government that many PANistas are ready to hand the party over to the administration, but in the long run this may result in a president of the party who isn't sufficiently representative of the PAN base and struggles to resolve internal conflicts. It remains to be seen whether Martinez will retain some independence from Calderon. All party eyes will be watching for signals of whether they intend to unite the party by reaching out to conservative PAN elements, or seek to isolate that faction and steer the PAN

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away from its more traditional heritage.

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